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U.S. Trails Va. Muslim Money, Ties

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Clues Raise Questions About Terror Funding

Six months after they raided the Northern Virginia headquarters of some of the nation's most respected Muslim leaders, federal agents say they are pursuing a trail of intriguing clues in a top-priority search for evidence of tax evasion and financial ties to terrorists.

Federal and European investigators say that several lines of inquiry have emerged from their review of documents and computer files they carted off in a dozen panel trucks from offices and homes affiliated with the Herndon-based SAAR Foundation, a tight-knit cluster of prominent Muslim groups funded by wealthy Saudis.

One avenue of investigation is the alleged transfer of millions of dollars from the SAAR network to two overseas bankers who have been designated by the U.S. government as terrorist financiers. Another is the network officials' history of ties to the militant Muslim Brotherhood.

A third part of the investigation concerns a key mystery: whether an astonishing \$1.8 billion in gifts passed through the SAAR Foundation in a single year, 1998. SAAR leaders reported that sum on a tax form, but later said it was a clerical error.

Agents are struggling to sort through and translate rooms full of documents -- many in Arabic -- and chasing leads in 17 countries. U.S. officials call the investigation one of the highest priorities of Operation Green Quest, the U.S. Customs Service task force formed after the Sept. 11 attacks to wage a financial war on terror.

The probe is part of a global crackdown the U.S. government has launched to stem the funding of terror groups since Sept. 11, 2001. That crackdown has targeted a number of large Muslim charities here and abroad.

The investigation of the SAAR officials, most of whom live and work around Herndon, infuriates some members of the Muslim community, who insist that the men are among the most moderate and progressive figures in American Islam. One of the raided institutions, for example, was denounced by Islamic radicals for issuing a *fatwa*, or Islamic ruling, that allowed Muslims in the U.S. military to fight in Afghanistan. Several people whose homes were raided advise the Defense and State departments on Islamic matters.

"My clients are absolutely not involved in any way in supporting terrorism," said Washington attorney Nancy Luque, who represents most of the individuals and groups raided. "It's a smearing."

Taha Jabir Alalwani, a stocky man in a flowing brown robe who has been part of the Herndon groups for years, said the searches of his home and the Leesburg-based Graduate School of Islamic and Social Sciences that he runs reminded him of the tactics of the secret police in his native Iraq.

"I'm moderate, I'm serving this country and I'm innocent of these suspicions," said Alalwani, whose institute trained 10 of the U.S. military's 14 Muslim chaplains. "I'm trying to convince Muslims in the U.S. this is our home, we must defend this country."

The SAAR network consists of more than 100 Muslim think tanks, charities and companies, many of which are linked by overlapping boards of directors, shared offices and the circular movement of money, according to tax forms and federal investigators. The network, named for Sulaiman Abdul Aziz Rajhi, the patriarch of the Saudi family that funded it, gives to charities, invests in companies and sponsors research, all with a goal of fostering the growth of Islam.

The SAAR Foundation officially dissolved in December 2000, and many of its functions were taken over by another group, Safa Trust, run by many of the same people.

Government officials say the investigation of the SAAR groups, which began with a probe of anti-Israel activists in Florida in 1996 and intensified after the Sept. 11 attacks, has not traced money from the SAAR entities to the al Qaeda terrorist network. But U.S. and European investigators say they have uncovered information in the Bahamas and Europe that in recent years some SAAR entities' funds have moved to two men, Youssef Nada and Ahmed Idris Nasreddin, designated by the United States as terrorist financiers. The funds moved through two offshore banks in the Bahamas that the pair controlled, officials said.

The institutions, Bank al Taqwa and Akida Bank Private Ltd., have been designated conduits for terrorist funds by the U.S. Treasury Department. In recent months they were shut down by Bahamian authorities under U.S. pressure. In an August report, Treasury said that the banks "have been involved in financing radical groups" including Hamas and al Qaeda, both before and after the Sept. 11 attacks. Bank al Taqwa and Akida Bank were described by the Treasury Department on Aug. 29 as "shell companies" that were "not functional banking institutions."

Nada and Nasreddin said they have done nothing wrong and pointed out that thousands of businesses use offshore havens like the Bahamas. In March, Nada told reporters he is a legitimate businessman and has never funded terror. Nasreddin could not be reached for comment, but his Geneva-based lawyer, P.F. Barchi, said in May that his client has no links to terror and abhors violence.

SAAR representatives say they have had no transactions with the banks and that the SAAR network's financial ties to Nada are limited to a single loan to him. Early last year, an individual connected to SAAR arranged for funds to be moved from a joint account of several SAAR executives to Nada as a loan, they said.

U.S. officials say they believe that the SAAR network moved a total of about \$20 million to offshore accounts, much of it through Bank al Taqwa and Akida Bank to Nada and Nasreddin firms.

But because of the complex nature of the wire transfers, which sent money through myriad accounts, officials say they have had difficulty tracking SAAR entities' money around the world. In 1998, for example, SAAR moved \$9 million to the Humana Charitable Trust, which a SAAR tax form said was based in the tax haven of the Isle of Man. U.S. investigators said they found no evidence the trust existed. Panama, another tax haven, was also the destination of millions of dollars.

"Looking at their finances," one U.S. official involved in the probe said, "is like looking into a black hole."

Questions Surround Network

Much about the SAAR entities remains in dispute, including the reported \$1.8 billion in gifts in 1998.

For years, the foundation operated on annual budgets of about \$1.5 million. Then it reported on its 2000 tax form that it had taken in \$1.8 billion in contributions two years earlier.

SAAR representatives said that nothing like \$1.8 billion has passed through the foundation over its 16-year life. They assert that investigators are chasing a simple clerical error on a tax form. They have filed an amended document stating that SAAR received no contributions in 1998.

U.S. officials say that they believe the reference to \$1.8 billion was no mistake. "We are still looking at it as a real transaction," a U.S. official said. But investigators acknowledge that they haven't found evidence that sums of that size coursed through the network.

Another focus of the probe is the SAAR leaders' links to the Muslim Brotherhood, a 74-year-old group

which is under investigation by European and Middle Eastern governments for its alleged support of radical Islamic and terrorist groups. For decades the brotherhood has been a wellspring of radical Islamic activity; Hamas, the militant Palestinian group, is an offshoot of it. European officials are particularly interested in the brotherhood's ties to leading neo-Nazis, including the Swiss Holocaust denier Ahmed Huber.

A number of central figures in the SAAR network, including Rajhi, were for decades involved in the brotherhood, where they befriended Nada, said representatives and friends of the SAAR officials. The one-time radicalism of SAAR network members has mellowed since they moved to the United States, SAAR associates said.

Nada, 73, a native of Egypt, has been one of the brotherhood's leading figures for years, and European officials say his network of banks and companies, including Bank al Taqwa and Akida Bank, are intimately tied to the brotherhood. European officials say the two banks handled tens of millions of dollars for the brotherhood over the years.

A wealthy construction magnate, Nada controls firms across Europe and the Arab world. Nasreddin, of Ethiopian descent, operates a business empire intertwined with Nada's out of Milan.

Founded in Egypt, the Muslim Brotherhood has over the decades helped stir a revival in Islamic pride and militant opposition to secular Arab regimes. Governments in Egypt, Syria and Iraq have harshly cracked down on the group since the 1950s. The organization, viewed as heroic in much of the Arab world, has recently moderated some of its radical stances. The brotherhood has not been deemed a terrorist group by U.S. officials.

SAAR's defenders say it is guilt by association to accuse SAAR leaders of terrorist ties because they have connections to people like Nada.

"It's alarming that the government criticizes people for old associations that pre-date by years any questions being raised about those people," said SAAR attorney Luque. "They're being investigated for friendships formed 30 years ago."

Investigators said they have also uncovered numerous ties between SAAR entities and Bank al Taqwa. Samir Salah – a founder of the Safa Trust, SAAR's successor, and an officer of other SAAR companies – helped establish Bank al Taqwa in the Bahamas in the mid-1980s, according to a Treasury document. In a letter to The Washington Post, Salah said he had no role with the bank.

Ibrahim Hassaballa, another officer of some SAAR-related companies, also helped set up Bank al Taqwa in the Bahamas, according to the document. Hassaballa did not respond to numerous requests for comment.

Terrorism specialists say the significance of the SAAR network is that it could offer wealthy Persian Gulf financiers a circuitous route for money they don't want traced.

"A rich Saudi who wants to fund radical ideas or terrorists like Hamas and al Qaeda knows he can't send the money directly, so he filters it through companies and charities, often in the U.S. or Europe," said Rita Katz, a terrorism expert at the private SITE Institute in Washington.

Connections to Leading Muslim Groups

The SAAR organizations are run by approximately 15 Middle Eastern and Pakistani men, a number of whom live in two-story homes on adjoining lots in Herndon that were developed by one of their affiliated firms in 1987. SAAR representatives say most were born into devout Muslim families and some fell under the sway of the Muslim Brotherhood.

In the 1960s and 1970s, funded largely by Persian Gulf and particularly Saudi money, the men who would later form the SAAR network fled their homelands amid crackdowns on the brotherhood.

In Saudi Arabia and the United States, they helped launch groups that would evolve into some of the nation's and the world's leading Islamic organizations, including the Muslim Students Association, the World Assembly of Muslim Youth and the Islamic Society of North America.

In 1984, Yaqub Mirza, a Pakistani native who received a PhD in physics from the University of Texas in Dallas, used money from the Rajhis to start SAAR in Virginia, with the goal of spreading Islam and doing charitable work.

Mirza also sought out business ventures for SAAR. By investing the Rajhis' money with Washington real estate developer Mohamed Hadid, he made SAAR one of the region's biggest landlords in the 1980s. The SAAR network also became one of South America's biggest apple growers and the owner of one of America's top poultry firms, Mar-Jac Poultry in Georgia.

"The funds came very easily," said a businessman who dealt with SAAR. "If they wanted a few million dollars, they called the al-Rajhis, who would send it along."

But while SAAR enjoyed the largess of some of Saudi Arabia's wealthiest families, it didn't hew to the Saudis' austere fundamentalism. Instead it promoted a more progressive Islam.

Ali Ahmed, a Saudi activist in Washington who denounces the Saudi regime as repressive, said he admires the Herndon group for its moderation. He said the officials engaged in a decades-long act of opportunism by taking Saudi cash and using it to promote their more tolerant agenda – for example, allowing women to work.

"They got private Saudi money, but they weren't Saudi agents," Ahmed said.

In the mid-1990s, the Saudi government, upset with its inability to control the SAAR network, pressed contributors to stop giving money, several informed sources said.

Despite their moderate public face, the SAAR groups' leaders have had close dealings with people who were more radical. Among them were Muslim activists who ran two vehemently anti-Israel organizations affiliated with the University of South Florida in Tampa. Despite the Florida activists' denials, federal officials have been investigating them for years based on suspicions that they organized support for Palestinian Islamic Jihad, which the U.S. government has declared a terrorist group because it organizes suicide bombings in Israel.

Steve Emerson, a terrorism expert who has studied SAAR for six years, said that "although the SAAR network presents a moderate profile, they have contacts and connections to Islamic groups here and abroad that are under investigation for ties to terrorism."

In a letter to a SAAR official, the Tampa groups described the SAAR network as their main funding source. SAAR allies said the money went only to conferences and publications.

Some of the Tampa activists later joined a SAAR affiliate in Virginia. One of them, Bashir Nafi, was deported as an alleged Islamic Jihad operative in 1996.

The investigation of SAAR began after a 1995 raid of the Tampa groups' offices yielded many documents showing close ties with the SAAR organizations, U.S. officials said.

Leesburg scholar Alalwani, in a 1993 letter to the Tampa groups that he said was also on behalf of several other SAAR leaders, described donations sent to the Florida activists. "We consider you a part of us and an extension of us," the letter said. "All your institutions are considered by us as ours. . . . We make a commitment to you; we do it for you as a group, regardless of the party or facade you use the money for."

After the 1995 Tampa searches, investigators widened that probe, launching a related investigation of the SAAR network, which lasted into the late 1990s. In 1998, National Security Council aides in the Clinton White House pushed the FBI to intensify that SAAR investigation. But knowledgeable sources said the FBI declined because of fears that a probe would be seen as ethnic profiling. The sources said U.S. officials also pressed senior Saudi officials to investigate SAAR and other Saudi-funded charities.

"At the end of the day the progress can best be described as marginal," said one U.S. official.

SAAR representatives said that between 1996 and 2000 they met four times with top FBI officials, who

told them at the final session that the bureau had concluded that the SAAR network had committed no wrongdoing. U.S. officials dispute that account, saying that FBI officials never gave SAAR officials such blanket clearance.

Customs revived the probe after the Sept. 11 attacks, with help from Europeans probing Bank al Taqwa's Italian and Swiss operations.

"We are looking for patterns and connections, so it is very complicated," said a U.S. official. "The al Taqwa-SAAR nexus is a very high priority."

Research editor Margot Williams contributed to this report.

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